HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Gatineau[1]

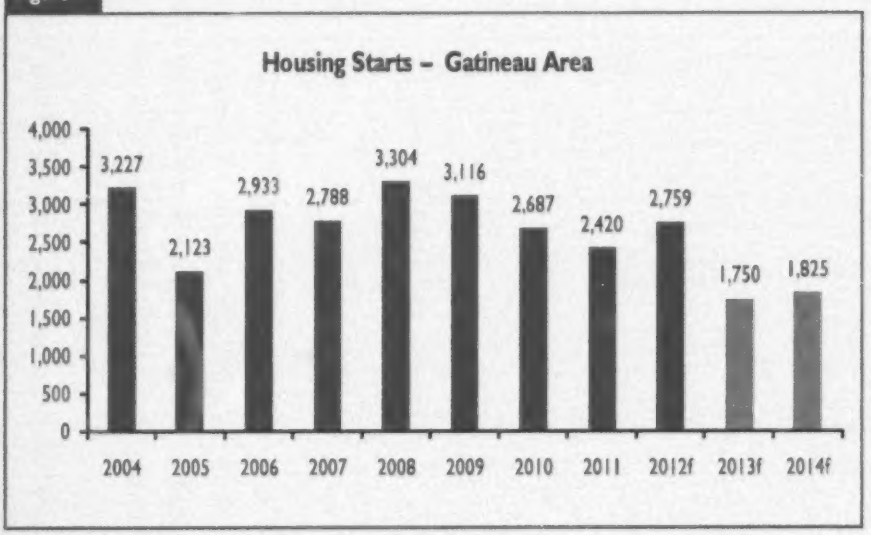
CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Fall 2013

Highlights

- Economic conditions will limit Gatineau's real estate market
- Centris® sales will rise marginally
- A slight rebound in housing starts is expected
- The rental market will ease

Figure 1



Source: CMHC f: CMHC forecasts

[1] Quebec part of Ottawa-Gatineau CMA

The outlook is subject to uncertainty. Although point forecasts are presented in this publication, CMHC also presents risks where appropriate. The forecasts and historical data included in this document reflect information available as of October 16, 2013.

Table of Contents

1 Highlights
2 Slight recovery on the resale market in sight
2 Small gain in the multi-unit segment expected in 2014
3 Rental market to ease
3 Economic trends: employment and net migration in neutral
5 Trends at a glance
6 Spotlight on...
7 Forecast Summary

SUBSCRIBE NOW!

Access CMHC's Market Analysis Centre publications quickly and conveniently on the Order Desk at www.cmhc.ca/housingmarketinformation. View, print, download or subscribe to get market information e-mailed to you on the day it is released. CMHC's electronic suite of national standardized products is available for free.

Canada

Housing market intelligence you can count on

CMHC SCHL
HOME TO CANADIANS

Slight recovery on the resale market in sight

In 2013, the decrease in sales recorded over the past two years will continue, since slightly less than 3,625 units (-6 per cent) will be sold. Job losses in the area, as well as the new mortgage rules, are one of the factors explaining this decrease. In 2014, Centris® transactions are expected to rise by 4 per cent to 3,775 sales, but to remain well below the average of the last 10 years. The slight increase in sales next year will be attributable to the improving economic conditions across the province and the stabilizing job market in the area. The expansion of the resale housing supply is also a factor that will favour this growth. The gradual rise in mortgage rates that will occur in 2014 will however dampen the increase in Centris® sales.

Still, supply will rise faster than demand. In fact, since mid-2011, active listings have been on a strong upward trend in the Gatineau area. New listings should therefore climb next year, but the increase in sales will be moderate, which will slow down the rise in inventory of homes on the market in 2014.

The faster rise in supply than demand suggests that the market will be easing in 2014 while remaining balanced. This easing of the market will result in a relatively smaller increase in the average price in 2014 (+1.6 per cent), when the average Centris® price will reach $247,000.

It should also be mentioned that the analysis of the Gatineau market by housing type will likely show significant disparities: while the condominium market will be favourable to buyers, the single-family housing and plex markets will be balanced.[2] This situation can be explained by the fact that the number of units listed on the Centris® system has strongly increased in the past few quarters. Several new condominium projects are also on the market. Consequently, the average price should rise less significantly or not at all on the condominium market.

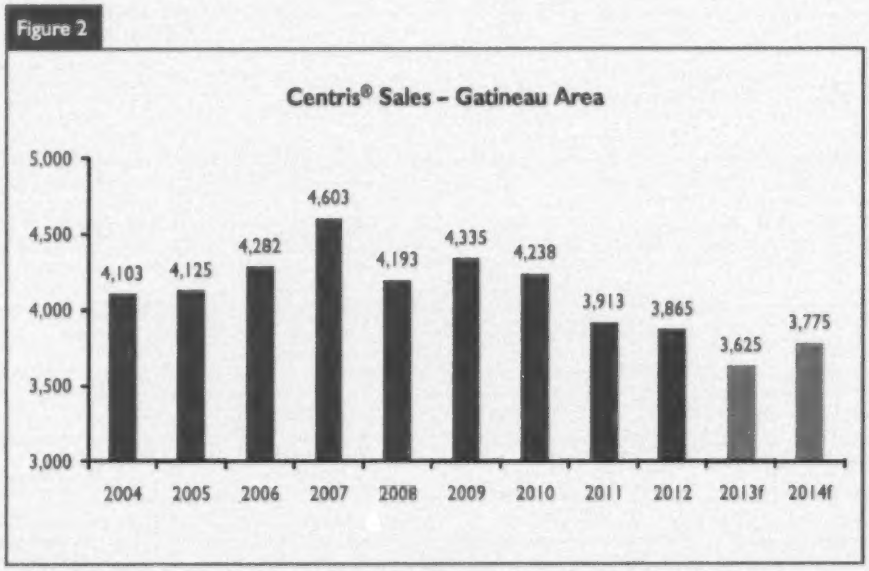
Small gain in the multi-unit segment expected in 2014

In 2013, housing starts will decrease by 35 per cent to 1,750 units. This drop will impact both the single-detached and multi-unit housing segments.

In 2014, construction of single-detached homes will continue to decline, as only 425 units will be started (-6 per cent). This drop can be explained in part by the fact that single-detached homes are generally less affordable than other housing types. In addition to this factor, the rise in the supply of existing properties will increase competition for new single-detached homes next year. Also, the number of new single-detached units that have not yet been sold in the area is relatively high, which will prompt area builders to slow down the pace and sell off their inventories.

Let us also mention that a revision of the City of Gatineau land use and development plan was adopted last October and will come in effect in February 2014. Among others, the objective of this plan is to promote housing intensification in various areas of the city of Gatineau over the next few years. It is therefore likely that the market share of single-detached homes will continue to decline in the city in favour of multi-unit housing. Single-detached homes will be increasingly concentrated in the

Figure 2



Source: QFREB, by the Centris® system f: CMHC forecasts

[2] It should be recalled that sales of single-family homes account for about 80 per cent of transactions in the Gatineau area, followed by condominiums (slightly over 10 per cent) and plexes (slightly less than 10 per cent).

outlying area of the city of Gatineau, for example in the municipalities of the neighbouring regional county municipalities.

In the multi-unit housing segment (semi-detached and row homes and apartments), housing starts should reach 1,400 units in 2014, or nearly 100 more units than in 2013. Although on the rise, this number will remain well below the level recorded in the past few years.

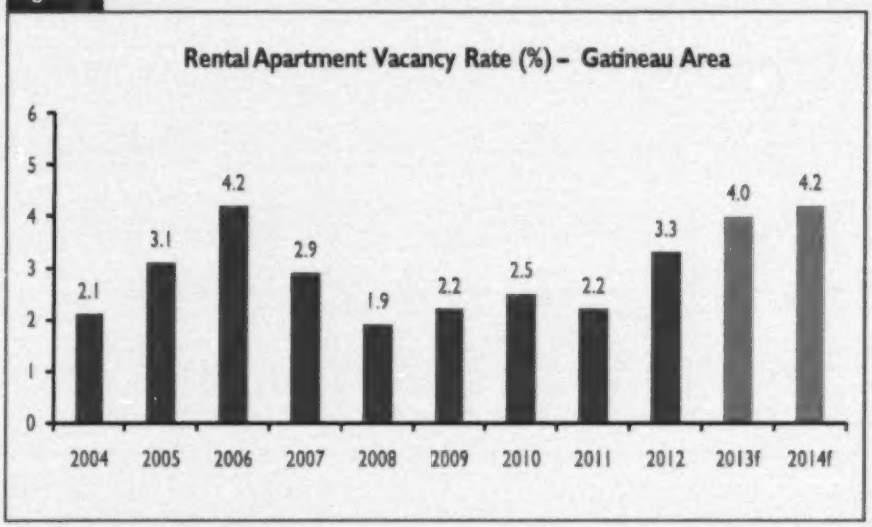
As previously mentioned, the multi-unit housing segment will be favoured by the implementation of the new land use and development plan. Rental and condominium apartments should reach some 1,000 units, with several significant projects to be started next year. Semi-detached and row home construction should remain stable at about 400 units in 2014. While this is a higher-density housing type than single-detached houses, the inventory of unsold units is currently relatively high, which will again prompt builders to slow the pace of residential construction.

In all, foundations will be laid for some 1,800 units in 2014, a level in line with 2013 and that remains low compared to previous years. On the geographic front, Aylmer will continue to see the most construction next year, thanks to the location of this sector and the lots available there. In the Hull sector, mostly condominium or rental apartments should once again be built there.

Rental market to ease

The rental housing vacancy rate in the Gatineau area was 3.3 per cent in 2012, up for the first time in five years. This rate will increase again, reaching

Figure 3



Source: CMHC f: CMHC forecasts

4 per cent in 2013 and 4.2 per cent in 2014. The CMHC Rental Market Survey conducted in the spring of 2013 showed that the area rental market had eased.

This rise in the percentage of vacant units can be mainly explained by the significant weakening of Gatineau's interregional net migration. This decrease will limit the number of potential renters looking for apartments this year and next in the Gatineau area. The expected increase in the vacancy rate will be moderated, however, by the high number of immigrants that will settle in the area. Also, some 350 to 450 units should be added to Gatineau's rental housing stock in 2013 and 2014, a moderate increase overall. The average monthly rent for two-bedroom apartments will reach $760 in 2013 and $770 in 2014.

In the retirement rental market segment, the vacancy rate (12.2 per cent in 2013, a decrease from 2012) should continue to fall slightly in 2014, as a result of the relatively stable supply and a small increase in the population aged 75 years or older in the area, the main client group for retirement homes.

Economic trends: employment and net migration in neutral

In 2013, 170,500 people were employed in the Gatineau area, which represents a decrease of about 1 per cent compared to 2012. This slowdown on the labour market can be mainly explained by the rationalization of jobs in the public sector. In 2014, with this process nearing its end and the overall improvement of the provincial economic outlook, the Gatineau area should be able to maintain employment close to the 2013 level. This stability of the labour market will support slightly the housing market.

The weak employment outlook in the area also had an impact on migration. In fact, interregional net migration[3] recorded a notable drop

[3] Source: Institut de la statistique du Québec

in the Gatineau metropolitan area, reaching only 230 people in 2012, compared to usually around 1,200 people. In addition, this weak gain was almost exclusively attributable to the municipalities located in the outlying sector of Gatineau metropolitan area. In the city of Gatineau, the main municipality in the area, interregional net migration only reached 30 people, a major decline compared to previous years. Since we do not expect interregional net migration to improve in the short term given the current economic conditions, rental housing demand from this client group will probably be weak this year and next in Gatineau.

It should still be mentioned that the significant number of immigrants and Canadians that chose to settle in the Gatineau area allowed net migration to reach some 3,100 people in 2012, a level higher than the average of the last five years. In the case of Canadian households, it could be that some Ottawa residents are crossing the border each year to benefit from a relatively more affordable real estate market. The number of immigrants settling in the Gatineau area in 2013 and 2014 should also remain stable compared to 2012, with the provincial government's immigration targets remaining about the same than before. Overall, net migration in the Gatineau area should reach some 3,050 people in 2013 and 2014.

Mortgage rates to see modest and gradual increases late in the forecast horizon but will remain low by historical standards

Following the June meeting of the Federal Open Market Committee (FOMC) of the U.S. Federal Reserve Board, interest rates rose modestly and then remained steady in both the U.S. and Canada. According to the Federal Reserve Bank of New York, this reflected a change in the risk assessment of investors and not a change in the expected future path of interest rates.[4]

CMHC's interest rate forecast mirrors this view. Hence, mortgage rates have been slightly revised up in the third quarter of 2013 but, thereafter, follow the same interest rate path as before. Nevertheless, this interest rate outlook will continue to be supportive of housing market activity over the forecast horizon, as mortgage rates will remain low by historical standards.

Mortgage rates are expected to increase gradually and steadily over the forecast horizon. By the end of 2014, mortgage rates are forecast to be somewhat higher than in the third quarter of 2013. According to CMHC's base case scenario for 2013, the average for the one-year posted mortgage rate is forecast to be within 3.00 per cent to 3.50 per cent, while the average for the five-year posted mortgage rate is anticipated to be within 5.00 per cent to 5.50 per cent. For 2014, the average for the one-year posted mortgage rate is expected to rise and be in the 3.25 per cent to 3.75 per cent range, while the average for the five-year posted mortgage rate is forecast to be within 5.25 per cent to 6.00 per cent.

[4] "Preparing for Takeoff? Professional Forecasters and the June 2013 FOMC Meeting," Federal Reserve Bank of New York (2013). Richard Crump, Stefano Eusepi, and Emanuel Moench (http://libertystreeteconomics.newyorkfed.org/2013/09/preparing-for-takeoff-professional-forecasters-and-the-june-2013-fomc-meeting.html)

Trends at a glance

Key Factors and their Effects on Housing Starts	
Mortgage Rates	Mortgage rates will remain low by historical standards and supportive of housing demand.
Employment	Employment in the Gatineau area has decreased in 2013, mainly in the public administration sector. The labour market should stabilize in 2014, which will slightly support demand on the real estate market.
Income	Average weekly earnings have decreased slightly since the beginning of 2013 in the Gatineau area as a result of the deterioration of the job market. This drop, which should give way to stability next year, lowers the buying power of potential buyers and reduces housing demand.
Population	In the past few years, the average population growth has hovered around 1.5 per cent. This growth is one factor that sustains the demand for housing.
Resale Market	The resale market will ease in 2014 and price increases will be more limited, especially in the condominium segment.
Net migration	Net migration will remain positive in 2013 and 2014 as a result of the high number of immigrants and Canadians settling in the Gatineau area. However, net interregional migration will remain low, which will have an impact on the demand for rental housing.

Forecast risks

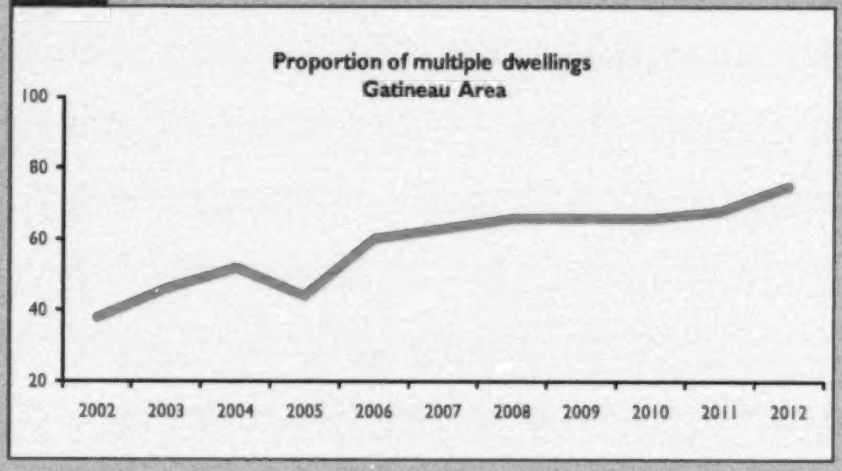
- Given the current economic uncertainty, should job gains in the private sector not be sufficient to compensate the losses in the public administration sector next year, Centris® sales and housing starts could increase less significantly or even decrease.
- Should the price difference between the Ottawa and Gatineau markets widen, more Ottawa households could move to the Gatineau area next year, which would provide more support than anticipated to the demand on the Gatineau market.

Spotlight on...

Multiple dwellings

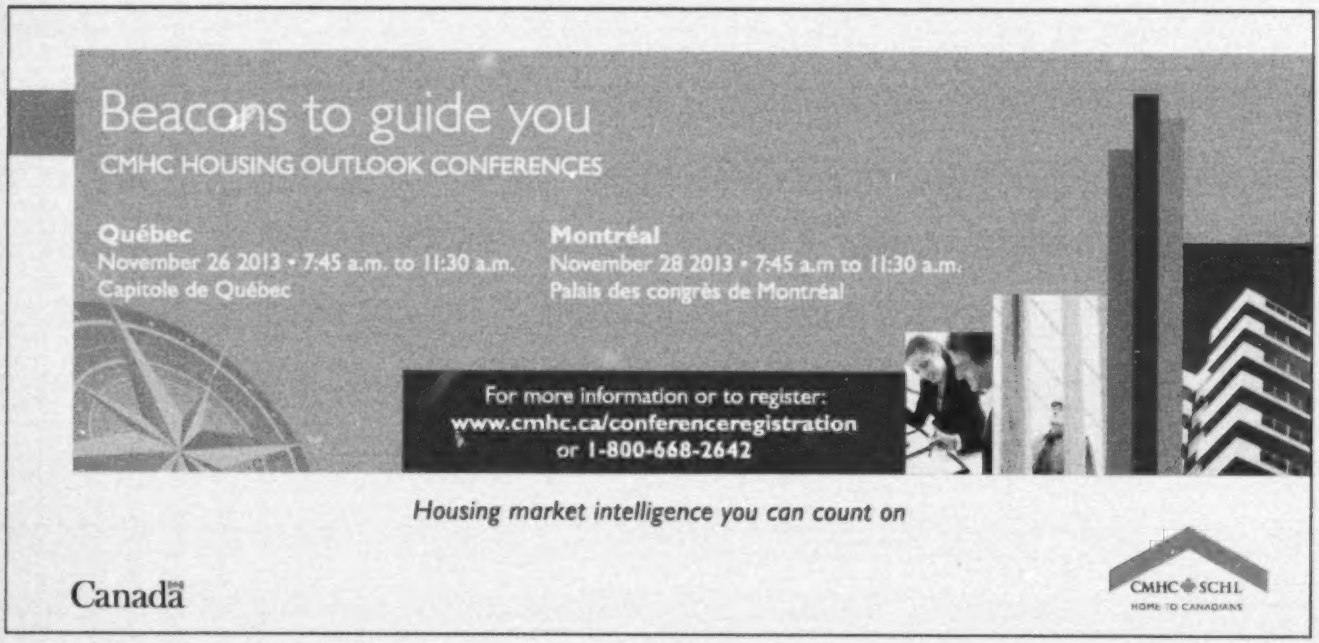
Over the next few years, the new land use and development plan for Gatineau will contribute to increasing the share of multi-unit (semi-detached, row and apartment) housing in the area, but such housing had already been gaining ground there for a number of years. As the graph shows, the percentage of multi-unit housing climbed from 38 per cent in 2002 to 75 per cent in 2012. The factors that likely accounted for this increase include the scarcity and rising prices of lots in the Gatineau area over the past few years.

Figure 4



Source: CMHC

In the multi-unit housing segment, condominium apartments should continue to gain market shares in the area. In addition to promoting intensification, condominium apartment projects are more likely to appeal to a variety of client groups. In fact, the affordability of these dwellings can attract first-time buyers, and their smaller size and ease of maintenance also makes them appealing to older households, as well.



Forecast Summary Gatineau CMA Fall 2013							
	2010	2011	2012	2013f	% chg	2014f	% chg
New Home Market							
Starts:							
Single-Detached	910	784	688	450	-34.6	425	-5.6
Multiples	1,777	1,636	2,071	1,300	-37.2	1,400	7.7
Starts - Total	2,687	2,420	2,759	1,750	-36.6	1,825	4.3
Average Price ($):							
Single-Detached	310,479	346,788	366,940	385,000	4.9	395,000	2.6
Semi-Detached	190,966	206,050	224,011	235,000	4.9	240,000	2.1
New Housing Price Index (% chg.) (Ottawa-Gatineau)	4.0	3.0	2.6	1.2	-	2.0	-
Resale Market[1]							
Centris® Sales	4,285	3,913	3,865	3,625	-6.2	3,775	4.1
Centris® Active Listings	7,078	7,165	7,705	8,000	3.8	8,300	3.8
Centris® Active Listings	1,912	2,017	2,353	2,800	19.0	3,000	7.1
Centris® Average Price ($)	216,765	231,748	238,807	243,000	1.8	247,000	1.6
Rental Market[2]							
October Vacancy Rate (%)	2.5	2.2	3.3	4.0	-	4.2	-
Two-bedroom Average Rent (October) ($)	711	731	743	760	-	770	-
Economic Overview							
Mortgage Rate (1 year) (%)	3.49	3.52	3.17	3.00 - 3.50	-	3.25 - 3.75	-
Mortgage Rate (5 year) (%)	5.61	5.37	5.27	5.00 - 5.50	-	5.25 - 6.00	-
Annual Employment Level	168,800	172,500	173,000	170,500	-1.4	170,500	0.0
Employment Growth (%)	0.3	2.2	0.3	0.0	-	0.0	-
Unemployment rate (%)	6.6	6.8	6.1	6.2	-	6.3	-
Net Migration	2,430	2,647	3,138	3,050	-2.8	3,075	0.8

[1]The Centris® system contains all the listings of Québec real estate brokers.

[2]Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), Statistics Canada (CANSIM), Centris® Statistics. CMHC Forecast (2013-2014)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly **Starts and Completions Survey**. Building permits are used to determine construction sites and visits confirm construction stages. A **start** is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's **Market Absorption Survey**, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "**absorbed**" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

CMHC—HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for more than 65 years.

Together with other housing stakeholders, we help ensure that the Canadian housing system remains one of the best in the world. We are committed to helping Canadians access a wide choice of quality, environmentally sustainable and affordable housing solutions that will continue to create vibrant and healthy communities and cities across the country.

For more information, visit our website at www.cmhc.ca or follow us on Twitter, YouTube and Flickr.

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.

Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

The Market Analysis Centre's (MAC) electronic suite of national standardized products is available for free on CMHC's website. You can view, print, download or subscribe to future editions and get market information e-mailed automatically to you the same day it is released. It's quick and convenient! Go to www.cmhc.ca/housingmarketinformation

For more information on MAC and the wealth of housing market information available to you, visit us today at www.cmhc.ca/housingmarketinformation

To subscribe to priced, printed editions of MAC publications, call 1-800-668-2642.

©2013 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

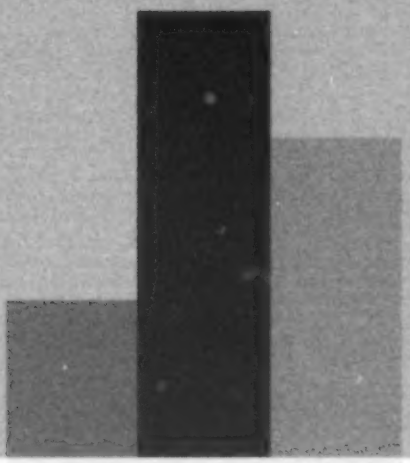
Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of any CMHC Market Analysis publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or entire CMHC Market Analysis publications, please contact: the Canadian Housing Information Centre (CHIC) at chic@cmhc.ca; 613-748-2367 or 1-800-668-2642.

For permission, please provide CHIC with the following information:
Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.

Housing market intelligence you can count on



FREE REPORTS AVAILABLE ON-LINE

- Canadian Housing Statistics
- Housing Information Monthly
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Canada and Regional
- Housing Market Outlook, Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Housing Now, Canada
- Housing Now, Major Centres
- Housing Now, Regional
- Monthly Housing Statistics
- Northern Housing Outlook Report
- Preliminary Housing Start Data
- Rental Market Provincial Highlight Reports
- Rental Market Reports, Major Centres
- Rental Market Statistics
- Residential Construction Digest, Prairie Centres
- Seniors' Housing Reports

Get the market intelligence you need today!

Click www.cmhc.ca/housingmarketinformation to view, download or subscribe.

CMHC's Market Analysis Centre e-reports provide a wealth of detailed local, provincial, regional and national market information.

- **Forecasts and Analysis –** Future-oriented information about local, regional and national housing trends.
- **Statistics and Data –** Information on current housing market activities – starts, rents, vacancy rates and much more.

Are you interested in housing research?

Stay up-to-date with the latest housing research findings and events related to sustainable housing, housing conditions and trends, housing finance and more.

Subscribe Today to CMHC's Housing Research E-Newsletter!

64287_2013_B02